



BUDGET MESSAGE FOR FISCAL YEAR 2006-2007

To the Honorable Mayor, City Council & Citizens of West Valley City

Almost 6 years ago we entered the 21st century. It was an interesting and challenging time for local and state governments, as well as private business. I remember the concern we had with what might happen as the calendar clock turned to the year 2000. Many believed computer systems would crash, important data would be lost and perhaps things might grind to a halt, at least in the short term. With the assistance of our elected officials we planned and prepared to the best of our ability for any contingency which may have presented itself. Difficult decisions were made, software and new hardware was purchased to better prepare the City against reports that this one event could be catastrophic, and even the survival of some businesses and local government entities was on the line. As it turned out, Y2K had little effect on West Valley City.

The most recent disaster befalling the nation was Hurricane Katrina. In the immediate aftermath of Hurricane Katrina on August 29, 2005, it was obvious that this disaster would present a challenge to the United States almost on the scale of the World Trade Center in 2001. Authorities and City leaders were not expecting the magnitude of the devastation. Could it have been prevented? One New Orleans paper's headline read, "No-one can say they didn't see it coming". Another quoted a University of New Orleans geologist who said, "It's not

if it will happen, it's when". The silver lining is the overwhelming support corporations, relief organizations, utility companies, churches, the news media, and citizen volunteers all mobilized to provide a hand in this time of need. As a result, I am sure New Orleans' future is secure. The levees will be made bigger and stronger and it looks as though the City will be re-built.

There are many lessons I learned from these two events. First, we should plan and prepare the best we can for the worst case scenario and hopefully minimize the impact of events which are not in our control as in the case of Y2K, and second, when we know ahead of time the pending storm of difficulties that lie ahead we prepare ourselves by identifying where we are most vulnerable and make tough decisions, even unpopular decisions, to ensure that we remain viable and strong for the future, as in the case of Katrina.

This budget year we are faced with making a decision that five years ago we knew was coming. We are no longer able to cover the operational cost of the municipal services we are providing today, nor increase these services and prepare for future growth without raising revenue through a property tax increase. A property tax increase is required to balance this year and future year budgets. Any delay in making this very difficult decision will have serious implications on our ability to provide services to our citizens in the manner in which they have demanded. Without an increase in

property tax rates not only will essential current operations and services be lost, but future operational and infrastructure needs such as personnel, equipment, and materials will be inadequate to meet the demands of anticipated growth. Therefore, as the acting City Manager and under the direction of our City Manager, who is serving our Country abroad in the armed services, I am submitting a balanced budget for fiscal 06/07, which includes a \$7.1 million dollar increase in revenue generated from property tax. This request for a property tax increase for general operating purposes has never been asked of our citizens since we incorporated over 25 years ago. To generate this revenue will require an increase in the property tax rate, which equates to approximately \$11.07 per month on a residential property valued at \$150K. This means that citizens will be paying, on average, \$341.30 per year for municipal services, still below Salt Lake City, Salt Lake County, and Ogden City. When combined with all the other taxing entities such as Granite School District, Granger Hunter Water, and Salt Lake County, almost all of West Valley City taxing districts remain within a property tax rate of 0.0148 -0.0159, which is average for the entire County.

It has been my pleasure to meet with each elected official and review in detail the state of the City's financial condition. Each member of the executive staff has also had the opportunity during the strategic planning process to inform and receive direction from you regarding policymaking decisions as it relates to the budget. With that input we have prepared this proposed budget containing the property tax increase mentioned. A public hearing on the proposed tax increase will be held in August, 2006.

In all of the budget messages over the past 5-6 years, and even back into the late 1990's, a property tax increase has always been discussed as a way to address the deficit problem. Due to the excellent leadership and direction from our elected officials and the outstanding dedication and creativity of our employees, the City staff has been able to balance the budget without an increase in taxes over the past 5-6 years by cutting costs, delaying projects, maximizing fleet usage and maintenance, using one-time monies from the sale of surplus properties, and paying down the debt. These cost cutting measures and deliberate, thoughtful, and wise use of our unrestricted fund balance has provided more than \$24 million dollars over the past 5 years which has been utilized to balance the budget. The Mayor and Council has been very successful in their bold directives that have stretched the management team to find ways to work harder, smarter and more productively in order to minimize the cost of services to our citizens while still maintaining the quality and quantity of services that our citizens have become accustomed.

The largest part of the general fund budget goes toward compensation and benefits. We have and continue to expect our employees to improve performance, do more with less, and otherwise maximize the use of every taxpayer dollar. In fact, this budget continues the same cost cutting measures as in the past. Employment levels remain near or below staffing levels 5 years ago. Salary savings (savings from postponing hiring) is still a major source of savings in this budget. There will be no market or merit pay increases for any group of employees in this year's budget and we continue to negotiate exceptional rates for medical and dental insurance

premiums while maintaining a highly competitive benefit package. Our employees have done a tremendous job and are deserving of utmost respect and appreciation for their hard work and devotion to the citizens of our City. The population of West Valley City now exceeds 120,000 residents. We have grown a diverse and strong economy. This growth and progress has occurred while meeting all of the other challenges that daily occur with running a municipality. This progress speaks volumes about the competency and unity of the city council and staff.

Our City Manager said, "Our challenge moving forward is to ensure that progress continues unabated in our efforts to improve our community. This challenge is difficult enough in the best of times, but the difficult economy of the past few years has made this especially hard. Federal and state revenues to local governments are once again on the examination table for possible reduction or elimination. Sound and tough fiscal policies and decisions will once again be the order of the day, even more so than is usually the case. We are fortunate in that economic fortunes are again swinging to the good, and so we have options and space with which to fight the ever present budget battle."

The economy has improved immensely over previous years. While revenue from property tax has remain relatively constant, sales tax revenue has improved by as much as 11%.

Last year's budget challenges were articulated in the following way;

1) Spending enough to meet resident demands, infrastructure and other investment needs;

2) Raising enough revenue to cover those expenditures; and

3) Reserving enough to meet unexpected needs and meeting or exceeding bond rating demands.

We were successful last year in meeting these challenges, and even in growing our fund balance reserves beyond original projections. This was mainly due to two factors: the economy and increased revenues. We began the last fiscal year with an unrestricted fund balance of over \$7.5 million.

This year we start the budget year with projected unrestricted fund balance of \$2.8 million, only \$200 thousand dollars above the legal minimum required. There are insufficient reserves in Fund Balance to offset the anticipated deficit of over \$7.0 million in this year's budget. Delayed capital improvements to city facilities will still need to be made, even with a tax increase. Some of the capital expenditures referred to include such items as repairs to our fire stations that we've long delayed, replacement of equipment at our golf courses, and replacement of office equipment. Replacement of the light fleet and heavy fleet cannot be delayed any longer. This budget reflects almost \$1.0 million to be spent on the fleet and auxiliary services. One time monies will be used for capital improvement projects and other infrastructure which requires immediate attention. While the personnel costs continue to climb and no new salary increases are budgeted for this fiscal year, the good news is that we have secured a zero percent increase in Medical premiums for the second straight year. Overall, we have only experienced an 11% increase in medical costs over the last 5 years. This is a remarkable trend considering the average

annual increases for these types of benefits is between 12-17% per year. This budget reflects no new personnel except for two mechanics which are needed to help us keep the aging fleet operable. Our commitment to UTOPIA is now fully funded.

Long term funding for increases in compensation and benefits expenditures will depend upon the growth in the economy. Should the economy turn badly in the near term, or if there are other significant expenditure increases deemed necessary to undertake, we will be hard-pressed to fund these types of operational expenses even with the tax increase that is proposed for this budget year. However, the greatest resource we have is our people. We will do everything possible to ensure their compensation is competitive and equitable. We must continue to attract, maintain, develop, and energize our employees by providing a benefit package which facilitates our human resource objectives.

We have been very careful not to use proceeds from the sale of excess properties or otherwise use "one-time revenues" to fund on-going operations. We continue to look for new ventures and creative ways to share open space with other entities, which helps subsidize the tremendous cost of maintaining and watering our parks and golf courses.

Tremendous progress has been made on the economic front in terms of new commercial areas being developed. The City Center RDA, with plans for a new intermodal center, expansion of the Valley Fair Mall, and large retail development surrounding the mall, will not only bring with it increased sales tax revenue but also create a sense of identity. On the west

side of the City, commercial and retail development continues to enhance the corridor along 5600 west. Despite our many challenges, the fiscal progress we are making, combined with a more realistic tax in line with a City of our size, gives me confidence that we will continue to see a state of fiscal health allowing us to pursue undeterred the goals of the city in its development.

ANNUAL STRATEGIC PLAN

The four main objectives for the 2006-2007 fiscal year are:

- Community and Economic Development
- Public Safety
- Transportation
- Citizen Development

The council made no changes to the definition of its objectives for the new year, but gave much thought and discussion to the prioritization of efforts in each objective.

COMMUNITY AND ECONOMIC DEVELOPMENT

In the past year the newly developed economic development plan guided and focused efforts in each of the geographic commercial areas of the city according to need and likely success. Our City Manager, before leaving for military service, provided excellent instruction to the staff about providing measurable action plans aligned with existing budget constraints.

Much effort was put into an overall design, zoning, and marketing effort for the city center redevelopment. This fiscal year we look forward to seeing some fruit

of this effort. We completed the request for qualifications and will soon enter into agreement with a developer and designer to begin work in this area.

Our 5600 West area continues to develop quickly, and we look forward to seeing the next phase of development in Zion's Securities' LakePark business park proceed. NAC has completed construction and is now operational with one of two presses installed. A new development on the east border of the Westridge golf course has almost sold all of the available lots in the early phases of development. Other large residential developments are under way south of 5400 South and north of 4700 South

The preferred alignment of the widening of 3500 South has been approved and construction on that project will begin next year. A road alignment along the front of the Utah Cultural Celebration Center is also being designed and funding for this project has already been approved. A conceptual design of an International Marketplace is reviewed for the area just south of UCCC. This will provide a beautiful gateway into the City from the east. The other areas of the city such as the 2100 South corridor, and the Redwood Road corridor continue to garner our attention as need or opportunity warrant.

The city-owned facilities we operate continue to be a challenge and a blessing. Nobody seriously contests the value of having such facilities as the E-Center, the Fitness Center, the golf courses, Utah Cultural Celebration Center, and Hale Theater in our locale. To a large extent these facilities define the progress we have made as a city. They still to some degree require infusions of taxpayers' dollars.

PUBLIC SAFETY

The flagship of our City is Public Safety. Our Police Department has continued to make drastic cuts in their expenses to assist the City with the deficit. However, this is an area where we cannot afford to let our guard down. This year we will continue to replace officers when vacancies occur, put in place effective and efficient programs and tactics for better policing, and be proactive in the development of intelligence-driven policing – all meant to improve productivity and response. The Chief has been very successful in supplementing law enforcement activities and responsibilities by participating in task forces such as Project Safe Neighborhood, Salt Lake Metro Gangs, and DEA/Metro.

The importance we attach to the safety and quality of our neighborhoods is illustrated by the efforts we will continue to undertake in the upcoming year. The two new COP officers and two new code enforcement officers we hired last year have allowed us to geographically match the efforts of these two functions and provide a level of coordination and effort previously unknown. This kind of effort is vital to ensuring the long-term viability of our city's property values, safety, and quality of life.

We also need to enhance our ability to be more proactive rather than reactive to crimes dealing with such issues as vice, gambling, prostitution, white collar fraud, senior citizen fraud, and prescription fraud. A more proactive enforcement of these crimes requires funding for training and certifications, facilities, fleet, safety equipment, and supplies.

The council's decision to pursue an enhanced ambulance service to its citizens and its subsequent operation is proving to do exactly what we had hoped. In all categories, the ambulance service is paying huge dividends as we have surpassed our proforma in terms of both quality and continuity of service and revenue. The ambulance will not only pay for itself but we will be able to update equipment, purchase new materials, and train personnel without any subsidy from the general fund or the use of new tax revenue from the proposed tax increase. We have also been notified that the pending appeal by Gold Cross Ambulance has been withdrawn. No additional litigation is anticipated. This has been a very long process and we commend everyone involved who contributed to this most favorable outcome for West Valley City.

TRANSPORTATION

Transportation efforts continue to focus on four main areas:

- Increasing street capacity
- Reducing demand
- Improving operating efficiency
- Maintaining the infrastructure investment

Road impact fees and class "C" road disbursements from the state will continue to be the only means by which we can increase the traffic capacity of the city. While most municipalities are able to contribute some funds from the general fund for this effort, we are currently unable to do so, and have to look to this as a goal in the future to accomplish. Road projects that we will be working on this year include 3200 West from 4100 South to 4700 South, and Lake Park Boulevard.

We will also be tackling some major storm drain projects to include Decker Lake Boulevard and near Glen Weaver Park.

Our slurry seal program will continue on the six year rotation as currently operated.

Our efforts to increase transit capacity in the city continue to center around the intermodal center and its connection to the light rail spur line proposed to connect the city. We have been successful in securing \$800,000 in federal grants for the purchase of property towards this project, and are now in the final stage of purchase. We also have acquired other parcels, and look at the possibility of others for the future. We continue to partner with UTA in this project as well as the pursuit of bus rapid transit (BRT) on the 3500 South corridor.

CITIZEN DEVELOPMENT

Health and education continue to be an area of concern and effort for us as a city. Because these efforts fall largely outside the realm of core services provided by the city, we have relied to a large extent on the great efforts of the elected officials to coordinate and promote what resources we have in this area with partnering agencies.

Our CDBG resources continue to direct help to our senior and disabled populations in minor home repair needs that help them maintain a healthy and independent living environment, no matter their economic ability.

Our Healthy West Valley initiative strives to find new and better ways to promote community awareness and opportunities for health care and healthy living practices. Our relationship with Pioneer Valley Hospital is important to that effort,

and we are looking for means to strengthen that relationship.

The growing after-school program partnership has been a great success, and we look forward to seeing continued success in advancing that effort. Existing projects have expanded in the past year, and new ones such as the Hands-On Science Outreach program have been added. Tremendous growth is anticipated in this area thanks to the individual efforts of the Mayor and Council, particularly Ms. Margaret Peterson, who has worked tirelessly to promote and find funding for after school programs.

Our Public Affairs Director is doing a tremendous job of opening the lines of communication not only internally but externally with outside media sources. Aaron Crim is doing excellent work with employees and focus groups whose task it is to identify problems and develop ideas to boost the City's image by "telling our story."

Through the City Recorder's office we have enhanced the ability of the Mayor and Council to have immediate access to Council Agendas and packets electronically. This effort along with weekly scheduled study sessions and public meetings has allowed the Mayor and Council to interact with our citizens on a more regular basis. We will continue to look at ways to fund on-line video streaming of council meetings and/or record them for citizen access. A great focus has been put on improving the city's web services in the past year, and this effort will continue in the new year with increased access to city documentation and information through the web, as well as examining ways to make that process more digitized and efficient for the city

council. The ultimate effort is one to make our citizens as aware as they can and want to be about the workings of their local government.

Finally, I am so proud of the efforts we are making at our newest facility, the Utah Cultural Celebration Center. Under the direction of our elected officials, the Cultural Arts Board, with over 40 volunteer citizens supporting the arts council, sister city board, historical board, and UCCC advisory board, has simply done a remarkable job of fulfilling the mission of the center. We will continue to seek volunteers from our citizen core to help us carry the message and vision of UCCC as we celebrate the diversity and culture of our people.

BUDGET PROCESS

Once again, the Government Finance Officers Association of the United States and Canada (GFOA) presented the Distinguished Budget Presentation award to West Valley City, praising its annual budget for the fiscal year beginning July 1, 2005. This is the 15th honor in a string of awards earned by the City. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, operations guide, financial plan, and communication device. The award is valid for a period of one year only. We believe the current budget continues to conform to the high standards of program requirements, and we are again submitting it to the GFOA to determine continuing eligibility of this award.

The certificate reproduced in this document authenticates the award for Distinguished Budget Presentation. Less than 2% of all governmental entities in the

United States have achieved this measure of excellence. The Budget staff of West Valley City is proud to be recognized in this elite group. Not only do they produce an excellent document, but they also monitor that document throughout the year. The Accounting staff has also earned recognition from the GFOA for their efforts through the prestigious Certificate of Achievement for Excellence in Financial Reporting.

PROGRAM MODIFICATION PROCESS AND THE STRATEGIC PLAN

West Valley City's budget process follows a very structured format. It takes a number of months to complete, and care is taken to closely consider all pertinent analysis and options pertaining to the new budget year for both revenues and expenditures. Part of this process includes delineating baseline current service budget needs within departments and City Council's direction given through the strategic planning process. We then consider program modifications that propose to increase service levels in accordance with strategic plan objectives. As these program modifications are considered, a systems approach examines and compares needs within all departments of the City, direction provided by the City Council in the strategic planning process, and revenue projections as they take shape throughout the process. By considering all of these and other pertinent factors, program modification requests are approved or rejected for inclusion in the budget. This process, while often difficult and lengthy, provides a good mechanism for truly defining the most important needs of the City and prioritizing them according to available revenues.

REVENUE SUMMARY

Most fiscal activity within the City is reflected in the general fund. The general fund holds approximately half of the dollars in the total City budget. All other available revenue is divided amongst the other funds.

The five largest sources of General Fund revenue for the City are, in order of size: sales tax, property tax, utility taxes, Justice Court, and licenses and permits. Together, these sources make up approximately 94% of our General Fund revenues. This number is actually skewed lower than it actually would reflect if no fund balance contributions or sale of assets were included in the budget.

PROPERTY TAX REVENUE INCREASE

Property tax revenues, without a property tax increase, will slightly increase by about 1.9% due to general growth of the City. However, with the rate increase proposed property tax revenues will increase by 50% over adopted revenues in the fiscal 2005/2006 budget. It should be noted that since the City's inception only three property tax increases have been given; one in 1988, the second in 1993, and the third in 1997. None of these increases were enacted for operational purposes.

SALES TAX REVENUE

Sales tax remains the single largest source of revenue for the City, comprising 33% of our General Fund revenues. This year we have projected an increase of about 11% from our adopted budget in 05/06. Economic development continues to

remain a high priority this next fiscal year.

UTILITY TAX REVENUE

We see an increase of approximately 14% in utility tax revenue due to continued increases in utility rates and population growth.

TRAFFIC FINES AND FORFEITURES

Revenue associated with the operation of the justice court has now begun to stabilize as we have absorbed the full case load associated with the transfer from the state district court. We project an approximate 15% decrease in revenues in the upcoming year. This is mainly due to a projected 16% drop in fine revenue of about \$500K.

INTEREST INCOME

Still at historic lows, interest income for the year will decrease by 33% or \$300K.

SUMMARY AND ACKNOWLEDGEMENTS

As shown in the revenue summary, our revenue sources showed both decreases

and increases in activity. The final result is a 7% projected increase in the General Fund over last year. The proposed property tax increase of \$7.1 million (approximate) will put us on the right course to match operational expenditures in the short term, along with normal growth, and provide sufficient revenues to increase services in the long term.

I wish to thank our City Manager, Wayne Pyle, whose efforts and hard work in directing the staff, developing the strategic plan documents, and constant vigilance overseeing this entire process has truly been a remarkable feat. We wish him Gods speed and pray for his safe return sometime in 2007. I also wish to thank the Departmental staff members who have spent long hours in its preparation and production. The finance staff also spends many long hours putting the actual document together in a manner clearly reflecting the priorities and resources directed to next year's programs and efforts.

Thanks last to the Mayor and City Council for their thoughtful consideration of what we are to prioritize and accomplish in the upcoming year. We look forward to a new chapter in the city's history and greater achievements.

Sincerely,



Paul D. Isaac
Acting City Manager

GENERAL FUND REVENUES SUMMARY CHART

GENERAL FUND REVENUES (Thousands of Dollars)

ITEM	FY 05-06	FY 06-07	Percentage
Property Tax	\$13,623,982	\$20,485,587	50%
Sales Tax	\$16,754,520	\$18,587,378	11%
Utility Tax	\$7,216,352	\$8,360,962	16%
License & Permits	\$2,878,480	\$2,921,729	1.5%
Liquor & Beer Tax	\$87,000	\$94,403	9%
Amphitheater	\$130,000	\$85,000	-35%
Special Improvement Districts	\$664,323	\$936,198	41%
Miscellaneous	\$1,068,674	\$1,026,853	-4%
Traffic Fines	\$3,142,000	\$2,627,000	-16%
Interest	\$934,392	\$626,000	-33%
Other	\$6,356,650	\$849,500	-87%
TOTAL	\$52,856,373	\$56,600,610	7%